



## Buy Now: 2 TSX Dividend Aristocrats on Sale

### Description

As the stock market remains volatile, and the ill-impact of COVID-19 on the economy still unknown, investors should put their money on Dividend Aristocrats. These TSX companies generate predictable and robust cash flows. Besides, the cash flows of these companies keep growing, enabling the management to increase their dividends consistently.

Another way of looking at Dividend Aristocrats is that these companies operate low-risk businesses, are competitively well positioned, and remain relatively insulated from economic downturns. **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) and **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) are two such TSX stocks that have consistently increased their cash payouts over the past several years. Moreover, both these companies generate ample cash flows to support their future payouts.

Besides, TC Energy and Pembina stock are trading low and provide a good entry point.

### TC Energy

TC Energy has a sound track record when it comes to dividends. The company's dividends have grown at a CAGR (compound annual growth rate) of 7% since 2000. Moreover, the company expects its dividends to grow by 8-10% in 2021 and by 5-7% thereafter.

Investors should note that about 95% of TC Energy's adjusted EBITDA comes from the businesses that are protected by rate-regulated arrangements and long-term contracts. These rate-regulated and contracted businesses predictable cash flow streams that continue to grow. The company's low-risk business model remains relatively immune to the volatility related to commodity prices and volume throughput.

In the [most recent quarter](#), TC Energy stated that it is not witnessing any material change in the utilization of its assets. Meanwhile, it continues to generate steady growth in comparable EBITDA and earnings.

TC Energy's robust utilization levels, predictable and growing cash flows, and continued investments in low-risk assets should support higher cash payouts in the coming years. Besides, the stock is down about 17% year to date, which provides a good entry point. Moreover, it offers a juicy and safe forward

yield of 5.7%.

## Pembina Pipeline

Pembina Pipeline operates a low-risk, diversified business that is supported through fee-based, long-term contracts. Investors should note that Pembina's cash payouts are covered by cash flow streams that remain insulated to the volatility in commodity prices. Besides, its contractual arrangements eliminate the majority of volume risk.

Investors should note that Pembina generates strong fee-based distributable cash flows that easily cover all of its payouts, [implying that its dividends are safe](#). Pembina intends to generate about 90-95% of its adjusted EBITDA in 2020 through the fee-based contracts. Further, about one-third of these contracts are protected by take-or-pay/cost-of-service arrangements. The company has paid \$8.5 billion in dividends since inception and has never announced a cut.

The continued strength in its base business and recent acquisitions should help drive Pembina's future cash flows. Pembina stock has taken a fair beating, which I believe is unwarranted given the company's diverse revenue streams and highly contracted business. Pembina stock is down over 30% this year, which has driven its forward yield higher to 7.5%.

Investors should start loving Pembina stock for its reliable dividends and the ability to generate strong growth in the coming years.

### CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. NYSE:TRP (Tc Energy)
3. TSX:PPL (Pembina Pipeline Corporation)
4. TSX:TRP (TC Energy Corporation)

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snahata

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